

Message Text

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14

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /077 W

----- 008258

R 150905Z SEP 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6732

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

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E.O. 11652: NA

TAGS: ECON, ECRG, ETRP, ASEAN, ID

SUBJECT: ASEAN INDUSTRIAL PROJECTS

REF: STATE 213170

1. BY VIRTUE OF FACT THAT GOI'S ASEAN INDUSTRIAL PROJECT IS IN REALITY SAME FERTILIZER PLANT GOI HAS BEEN CONSIDERING FOR ACEH FOR SOME TIME, PLANNING IS RELATIVELY ADVANCED. ACCORDING TO INFORMATION PROVIDED TO EMBOFFS BY STATE-OWNED FERTILIZER COMPANY PUSRI'S MARKETING CONSULTANT, THE PLANT IS TO BE A SINGLE AMMONIA-UREA COMPLEX PRODUCTING APPROXIMATELY 570,000 TONS OF UREA ANNUALLY. CONSULTANT WAS VAGUE ABOUT OWNERSHIP ARRANGEMENTS, BUT BELIEVED GOI WOULD HAVE MAJORITY HOLDING WHILE BALANCE OF EQUITY WOULD BE DIVIDED AMONG OTHER ASEAN COUNTRIES IN PROPOSTION TO THEIR EXPECTED OFFTAKE FROM THE PLANT.

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2. CONSULTANT WAS TASKED WITH SURVEYING POTENTIAL ASEAN MARKET FOR THE PLANT'S OUTPUT. ALTHOUGH EACH GOVERNMENT WAS TO SUPPLY HIM WITH EXTENSIVE DATA, HE ENCOUNTERED SIGNIFICANT TIME SLIPPAGES AND IN SOME CASES HAD TO DEVELOP DATA HIMSELF. HIS RECENTLY SUBMITTED STUDY REVEALS THAT REGIONAL DEMAND WILL CLEARLY EXCEED PRODUCTION OF PLANTS NOW IN EXISTENCE AND THOSE UNDER CONSTRUCTION. HOWEVER, INCLUDING PRODUCTION FROM THE 4-5 ADDITIONAL PLANTS NOW UNDER CONTEMPLATION BY INDONESIA (2), MALAYSIA, AND PHILIPPINES, AND, POSSIBLY, THAILAND, RESULTS IN A MAJOR SURPLUS FOR THE REGION. HE CONCLUDES THAT IMPLEMENTATION OF THESE PLANNED PROJECTS NEEDS TO BE STRETCHED OUT AND THAT AT LEAST ONE OF THE PLANTS SHOULD BE POSTPONED. COMMENTING ON INDONESIAN DOMESTIC SITUATION, CONSULTANT POINTS OUT THAT CONSUMPTION CURRENTLY MATCHES PRODUCTION, THAT ONE MILLION TONS OF UREA ARE IN STORAGE, AND THAT NEW PLANTS WILL COME ON STREAM THIS YEAR AND EACH OF NEXT TWO. THUS HE SPECULATES INDONESIA MAY NOT BE IN A HURRY TO ADD MORE CAPACITY.

3. SUBSEQUENT CONVERSATIONS WITH ASEAN NATIONAL SECRETARIAT (ACHMAD DJAMIRIN, DIRECTOR OF BUREAU FOR ECONOMIC AFFAIRS) AND PUSRI OFFICIAL ADDED LITTLE TO FOREGOING. DJAMIRIN ECHOED CONSULTANT'S COMMENT THAT HOST COUNTRY WOULD HOLD MAJORITY INTEREST WITH EACH OF OTHER ASEAN NATIONS HOLDING MINORITY SHARE. (TRADE MINISTER RADIUS EARLIER HAD TOLD AMBASSADOR GOI WOULD HOLD 20 PERCENT OF QUITY WHILE REMAINDER WOULD BE HELD BY INDONESIAN FINANCIAL INSTITUTIONS. COMMENT: THE MINISTER MAY HAVE MEANT INDONESIA'S SHARE OF THE PLANT WOULD BE SPLIT ALONG FOREGOING LINES. END COMMENT.) HE HAD NO IDEA WHERE THE FINANCING WAS TO BE OBTAINED, BUT OPINED THAT BOTH IFI'S AND FOREIGN COMMERCIAL BANKS WOULD BE LIKELY SOURCES. DJAMIRIN ALSO HAD LITTLE FEEL FOR TIMING OF PROJECT, COMMENTING ONLY THAT IT WOULD COME ON STREAM AT THE EARLIEST POSSIBLE TIME. PUSRI OFFICIAL, WHO PROBABLY HAS A FAR BETTER HANDLE ON POSSIBILITY OF EARLY ACTION, WAS SKEPTICAL THAT THE PLANT WOULD COME INTO PRODUCTION SOON.

4. COMMENT: GOI IS CAPABLE OF PROCEEDING WITH THIS PROJECT ON ITS OWN ANY TIME IT WISHES. MECHANICS OF JOINT OWNER-LIMITED OFFICIAL USE

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SHIP/DEBT STRUCTURE, ETC., AS WELL AS NEED TO BALANCE DOMESTIC PRODUCTION WITH THAT OF REGIONAL PARTNERS, MAY SLOW THE PROCESS.
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Message Attributes

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Decaption Date: 01 JAN 1960
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Disposition Approved on Date:
Disposition Authority: SmithRJ
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